

To The Honorable Martin Glenn,

Thank you for accepting letters from community members. I'm a Celsius depositor. My account balance is in the mid six figure range. The balance was in the seven figure range last year when cryptocurrency prices were at their peak. I'm writing this letter to convey four major points to you:

- 1) Celsius and Alex Mashinsky did not adequately inform users of the degree of financial risk that was taken with their cryptocurrency deposits to generate yield.
- 2) The marketing tactics used by Celsius and Alex Mashinsky were misleading, and outright lies in many cases.
- 3) Alex Mashinsky needs to be removed from his position as CEO if the company, Celsius, is to have any sort of a future
- 4) Making depositors whole must be prioritized

Point #1:

I consider myself to be "above average" in terms of understanding financial markets, as I hold an economics degree, but I am by no means an expert.

The primary reason I was comfortable with Celsius was because Alex Mashinsky repeatedly stated on numerous youtube "AMAs (ask mashinsky anything)" and interviews that the yield paid on our cryptocurrency deposits was generated with overcollateralized lending. While I am no financial guru, to me, overcollateralization meant that if a debtor could not meet their obligations that Celsius would liquidate the posted collateral and ensure that the lent crypto holdings were retained. I am positive that the vast majority of Celsius account holders were comfortable storing their cryptocurrency in Celsius because of the fact that they were repeatedly told that the lending they partook in for yield generation was overcollateralized.

Now that I have had an opportunity to review the first day declaration of Alex Mashinsky, I realize that Celsius was using depositor funds to partake in a whole host of risky financial activities that the depositors were simply not aware of. These include undercollateralized lending, investing in bitcoin mining operations, market making, decentralized finance, and complex trading strategies (such as swing trading and cash and carry trades) to generate yield. In the traditional finance world, funds that partake in these kinds of activities are reserved for accredited investors who can both understand and withstand the level of risk associated with investing in these financial products.

While there is no precedent for this in the cryptocurrency ecosystem, it is a bit shocking to me that the company felt it was acceptable to use these complex yield generation strategies with cryptocurrency deposits from every depositor (both accredited and non accredited users) without assessing whether the risks involved were understood by these depositors. I furthermore find it unacceptable that they did not inform us that our cryptocurrency yield was generated with such high risk activities. I'm sure that many users (including myself) would have

withdrawn their funds if they knew that this yield was not purely generated from safer overcollateralized lending.

Point #2:

The other major issue I have with Celsius is the deceptive marketing tactics that were at play. While it is not particularly clear when the financial woes for the company started, it appears that at least as early as mid 2021, based on the first day declaration of Alex Mashinsky, that there were several events which put the financial health of the company into question. These include the loss of a significant amount of Ethereum (38000 tokens due to misplaced keys) and the need for a large amount of private debt (~\$509 million dollars) to fund operations for unclear reasons. Based on the information the public had to go off of, primarily from twitter and the weekly "AMA - ask mashinsky anything" youtube videos, there was absolutely no indication that the company was struggling. Even as late as the second quarter of 2022, when withdrawals were on the brink of being halted, Alex Mashinsky continued to push the narrative that Celsius was doing extremely well and repeatedly encouraged users to deposit their savings with Celsius during his AMA's, as opposed to traditional banks. Perhaps most egregiously, he shamelessly told and encouraged the most financially vulnerable individuals such as single mothers and individuals nearing retirement to place their funds in Celsius by reassuring them that it was safe, better than traditional banks, and that the yield generated would help them achieve financial freedom.

The deceptive marketing tactics continued up to several weeks and even days prior to the withdrawal freeze. As I have a fairly large account balance on Celsius and am considered a "VIP client", I received an official letter from my corporate account manager on June 9, 2022 reassuring me that Celsius had one of the "best risk management teams in the world" and that it "had the reserves (and more than enough ETH) to meet its obligations".

Alex Mashinsky even famously had stated publicly on twitter on June 12 (several hours before withdrawals were halted) that withdrawing from Celsius was not an issue for anyone.

In retrospect, the statements in this official letter I received on June 9 were complete fallacies and Alex Mashinsky had been blatantly lying to the Celsius community members and depositors for quite some time. He lied up to the point at which withdrawals were frozen and it is now apparent that he was likely lying for nearly a year prior to this - as he gave no indication whatsoever on his twitter account or his AMA's on youtube that the company was facing severe solvency and liquidity issues (ironically, due to what seemed like extremely poor risk management).

I've attached a copy of the official letter I received to the end of this document, just so you are able to see the strong, confident language that was utilized and how it was a gross misrepresentation of what was actually going on at Celsius.

Point #3:

As I'm sure you'll soon realize (if you haven't already), Alex Mashinsky has completely lost his credibility amongst the Celsius community and Celsius depositors.

I do believe that there could be a future for the Celsius business model with proper risk management and regulatory compliance in place. The Celsius community believes in the future of cryptocurrency, and there is substantial interest in having a safe place to store cryptocurrency, the ability to earn a yield on crypto assets, and the ability to avoid the tax consequences of selling cryptocurrency by taking out crypto-collateralized loans when appropriate.

However, it is my firm belief that nobody in their right mind will deposit their cryptocurrency into Celsius again with Alex Mashinsky at the helm, given his propensity for pushing false narratives, misleading customers, and shamelessly lying about the health of the company despite its severe financial woes.

Furthermore, given the near 2 billion dollar hole that has developed in the company's balance sheet as per the first day declaration of Alex Mashinsky, it is also grossly apparent that he and the current management team lack the ability to properly manage risk.

As Celsius depends on depositors for its business model to work, it is impossible for me to see how the company would have a future with the current management team and Alex Mashinsky as CEO.

Point 4:

While I am fortunate to continue to be able to support my family despite this mishap, I worry about the financially vulnerable individuals who put their life savings into Celsius because they were encouraged to do so by Alex Mashinsky, despite the fact that he knew that the company was struggling from a financial standpoint.

Single mothers, retirees, and other vulnerable individuals absolutely need their savings back.

I am begging you to consider these individuals as you preside over this case. There are already individuals in the Celsius community who are proposing solutions to help make depositors whole over time. I hope that you can facilitate the restructuring process expeditiously, so that these solutions can be considered and put into action as soon as possible.

Thank you for your consideration.

Sincerely,  
R.S.



June 7th, 2022

## Celsius Announcement 7th June 2022

# Damn the Torpedoes, Full Speed Ahead

Over the past several weeks, the entire crypto community has faced a challenging time. Behind the numbers of this sharp downturn are the stories of real people facing real hardship. Single moms, pilots, cleaners, small business owners, students, veterans and so many in between. Everywhere crypto is held, hard-working people around the globe are constantly checking their accounts. They're worried about the future. They're worried about their families.

We at Celsius are online 24-7. We're working around the clock to continue to serve our community. Celsius has one of the best risk management teams in the world. Our security team and infrastructure is second to none. We have made it through crypto downturns before (this is our fourth!). Celsius is prepared.

At this already challenging time, it's unfortunate that vocal actors are spreading misinformation and confusion. They have tried unsuccessfully, for example, to link Celsius to the collapse of Luna and falsely claim that Celsius sustained significant losses as a result. They have stirred confusion around HODL mode and the importance of protecting user accounts. And the list goes on.

Every company faces the decision of how much time to spend swatting away false claims. We've decided that every minute we spend dignifying misinformation is a minute we're not spending building for our customers so that they can achieve financial freedom. Yes, we may occasionally respond to an untrue claim. But we won't allow smears and distortions from a handful of haters to take our time away from our customers.

Let us be clear:

**Celsius identified instability in the Luna/UST peg early and acted swiftly to protect our customers.** We built a world-class risk management team for precisely this reason.



June 7th, 2022

**All instances of HODL Mode are a response to protect user accounts and to comply with regulatory, compliance, and legal requirements.** In most cases, HODL Mode can be deactivated quickly by contacting Celsius Customer Care.

**Celsius continues to process withdrawals without delay.** We have not had any issues meeting withdrawal requests. Celsius honors all withdrawals as quickly as possible and works hard to support customers if and when there are delays.

**Celsius has the reserves (and more than enough ETH) to meet obligations,** as dictated by our comprehensive liquidity risk management framework.

Despite difficult cycles in the market like we face today, we at Celsius remain deeply optimistic about the future. Celsius was not founded to make small improvements to TradFi. From day one, we sought to radically disrupt a broken system. We have worked non-stop to transform, revolutionize and build powerful tools to help everyday people all around the world attain their financial dreams. It hasn't always been easy, but then again, what revolution was?

We believe that those partaking in crypto today are pioneers. Some choose DeFi, others NFTs or DAOs. Regardless, you are charting a bold new course towards financial freedom for humanity. The road can sometimes be difficult, but with grit and passion, we will succeed.

So, despite the downturn, despite those who spread misinformation, despite daily challenges, we are building better.

**To quote a famed Civil War rear admiral, "Damn the torpedoes, full speed ahead."**

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